MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2022/2023

BAC4634 – CORPORATE ACCOUNTING 2

(All sections / Groups)

2 OCTOBER 2023
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of 6 pages (excluding the cover) with 4 questions only.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the answer booklet provided.

QUESTION 1

To expand its business, Blue Bhd. acquired 70% of the interest in Berry Ltd. on 1 July 2022. Berry Ltd is located in Fruits Land with the functional currency of F$. Retained earnings of Berry Ltd was F$2,000,000 at the date of business combination. On 30 June 2023, the financial statements of both companies were as follows:

Statements of Profit or Loss for the year ended 30 June 2023

	Blue Bhd. RM	Berry Ltd. F$
Sales	44,000,000	4,000,000
Cost of Sales	(24,000,000)	(1,600,000)
Gross Profit	20,000,000	2,400,000
Administrative Expenses	(4,800,000)	(1,000,000)
Depreciation	(3,200,000)	(600,000)
Net Profit	12,000,000	800,000

Statements of Financial Position as at 30 June 2023

	Blue Bhd. RM	Berry Ltd. F$
Plant & Machinery	24,000,000	6,000,000
Patent	4,000,000	200,000
Investment in Berry Ltd.	9,600,000	-
Inventory	3,000,000	500,000
Trade Receivable	4,200,000	500,000
Bank	2,400,000	400,000
	47,200,000	7,600,000
Share Capital	20,000,000	4,000,000
Retained Earnings	25,600,000	2,800,000
Long Term Loan	-	400,000
Trade Payable	1,200,000	340,000
Deferred Tax Liabilities	400,000	60,000
	47,200,000	7,600,000

The exchange rates between Ringgit Malaysia and F$ were:

	RM	F$
1 July 2018 (date on which Plant and Machinery were acquired)	1	2
Date opening inventories were acquired	1	7
Date closing inventories were acquired	1	4
1 July 2022	1	5
30 June 2023	1	4
Average rate	1	3

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Required:

In compliance with the MFRS 121: *The Effects of Changes in Foreign Exchange Rates*:

a) Compute the goodwill on consolidation.

(4 marks)

b) Prepare the Translated and Consolidated Statement of Profit or Loss for the year ended 30 June 2023.

(8 marks)

c) Prepare the Translated and Consolidated Statement of Financial Position as at 30 June 2023.

(13 marks)

(Total: 25 marks)

QUESTION 2

PART A

Sharpo Bhd. incorporated in year 2020. It operates at 31 December accounting year. As at 31 December 2022, the following transactions took place:

1) Acquired an equipment on 1 January 2022 at the cost of RM 120,000. The equipment was depreciated at 10% per annual while capital allowance was 25% for four years.
2) On 1 July 2022, a loan amounting RM 50,000 at an interest of 10% per annum was taken by the company. The repayment of the principal of the loan has no tax consequences. As at 31 December 2022, interest on the loan was accrued and is payable at 1 January 2023.
3) A provision of cleaning costs of RM 24,000 was provided.
4) Trade receivable recorded RM 630,000 after the 10% provision of doubtful debts.
5) Development cost of RM 820,000 was capitalised.
6) Unearned revenue of RM 35,000 was recognised.
7) Deferred tax as at 1 January 2022 recorded RM 125,000.
8) Tax rate was 25% for the year 2021 and 26% for the year 2022.

According to tax laws, all the expenses are claimable on incurred basis.

Required:

In accordance with MFRS 112: *Income taxes*, identify the amount of deferred tax charged for the year ended 31 December 2022.

(13 marks)

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PART B

PE Tech Bhd. acquired Kuto Bhd. on 1 July 2022 with the cost of investment of RM 20 million. At the date of acquisition, the fair value of the net identifiable asset of Kuto Bhd. were as follows:

	RM
License	800,000
Equipment	4,000,000
Building	6,000,000
Land	9,200,000
Long Term Loan	2,400,000

Kuto Bhd. was considered a cash generating unit to the company. As at 30 Jun 2023, the followings information were determined:

Recoverable amount of Kuto Bhd. (excluding goodwill)	RM 16,400,000
Carrying amount of the net identifiable assets of Kuto Bhd.	RM 17,600,000

Required:

In accordance with MFRS 136: *Impairment of Assets*:

a) Determine impairment loss on Kuto Bhd., if any. (4 marks)

b) Identify the necessary accounting treatment on the impairment loss on Kuto Bhd. (5 marks)

c) Prepare the relevant journal entries. (3 marks)

(Total: 25 marks)

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QUESTION 3

PART A

Advance Tech Bhd. sold its product, Product A, in two of the following markets. The information pertaining to the product in the two different markets were as below:

	Market A	Market B
Selling Price	455,000	450,000
Transportation cost	18,000	10,000
Transaction cost	30,000	30,000

Required:

In accordance with MFRS13: *Fair Value Measurement*, determine the most advantageous market and the fair value of Product A. (10 marks)

PART B

On 1 July 2020, VST Bhd. provided a RM 2,000,000 loan to Giga Bhd. with the term of repayment of 5 years and interest rate of 6% per year. Upon recognition, VST Bhd. determined that the loan had a low probability of default within the next 12-month with the risk of default of 1%. The expected credit loss at the end of the fifth year was estimated to be RM 500,000.

As at 30 June 2021, there had been no significant deterioration in the credit quality of the loan. The probability of default, as assessed by the company was at 1.5%.

As at 30 June 2022, due to the bad financial performance of Giga Bhd. in the past accounting year, it was assessed that there had been a deterioration of the credit quality of the loan. However, there was no objective evidence of an impairment loss. With that, the expected credit losses over the remaining period of the loan is estimated to be RM 200,000.

Required:

In accordance with MFRS 9: *Financial Instruments*, determine the relevant journal entries of the financial instrument above for the year 2021 and 2022. (15 marks)

(Total: 25 marks)

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QUESTION 4

PART A

The employees of VK Bhd. are entitled to a total of 24 days of annual leave yearly. The company allowed the unused annual leaves to be carried forward to the next accounting year, but the leaves must be consumed on a last-in-first-out (LIFO) basis. The current year's leaves shall be taken then followed by the leaves carried forward from last year.

The company has 1400 employees, and the average daily wages of the employees is RM 600. As at 31 December 2022, the average unused annual leaves for the employees is 20 days per employees. According to the past leave taking records, it is expected that:

- 1200 employees will take not more than 24 days of annual leave in 2023.
- 160 employees will take an average of 28 days of annual leave each.
- 40 employees will take an average of 32 days of annual leave each.

Required:

In compliance with MFRS 119: *Employee Benefits*:

a) Determine the company's expected cost of accumulating annual leaves as at 31 December 2022. (5 marks)

b) Illustrate the relevant journal entry. (2 marks)

PART B

On 1 January 2019, to increase the motivation of its staff, Galda Bhd. granted 200 share options to 100 of its employees with a non-market condition to be fulfilled. The fair value of the share options at the grant date was RM 5 per share. The vesting of the share options, however, depends on when that non-market condition can be met.

- If the non-market conditions can be met, the options shall vest at 1 January 2023.
- If the non-market conditions can be met earlier, the options shall vest immediately.
- If the non-market conditions cannot be met, the options shall vest at 1 January 2024.

Required:

In accordance with MFRS 2: *Share-based Payment*, illustrate the relevant calculations if:

a) The vesting conditions are met in year 3. (5 marks)

b) The vesting conditions failed to be met. (5 marks)

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PART C

Companies are encouraged to comply with MFRS 134: *Interim Financial Reporting.* Interim reports can be prepared on semi-annually or quarterly basis. Timely and reliable interim financial reporting improves the ability of the stakeholders to assess the performance and operations of the company in a better manner.

Required:

In accordance with MFRS 134*: Interim Financial Reporting*, justify how these transactions should be recognised, measured and presented in the interim reports.

i) Inventories
ii) Foreign currency translation gains and losses
iii) Impairment loss
iv) Research and development

(8 marks)

(Total: 25 marks)

End of Paper.